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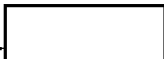
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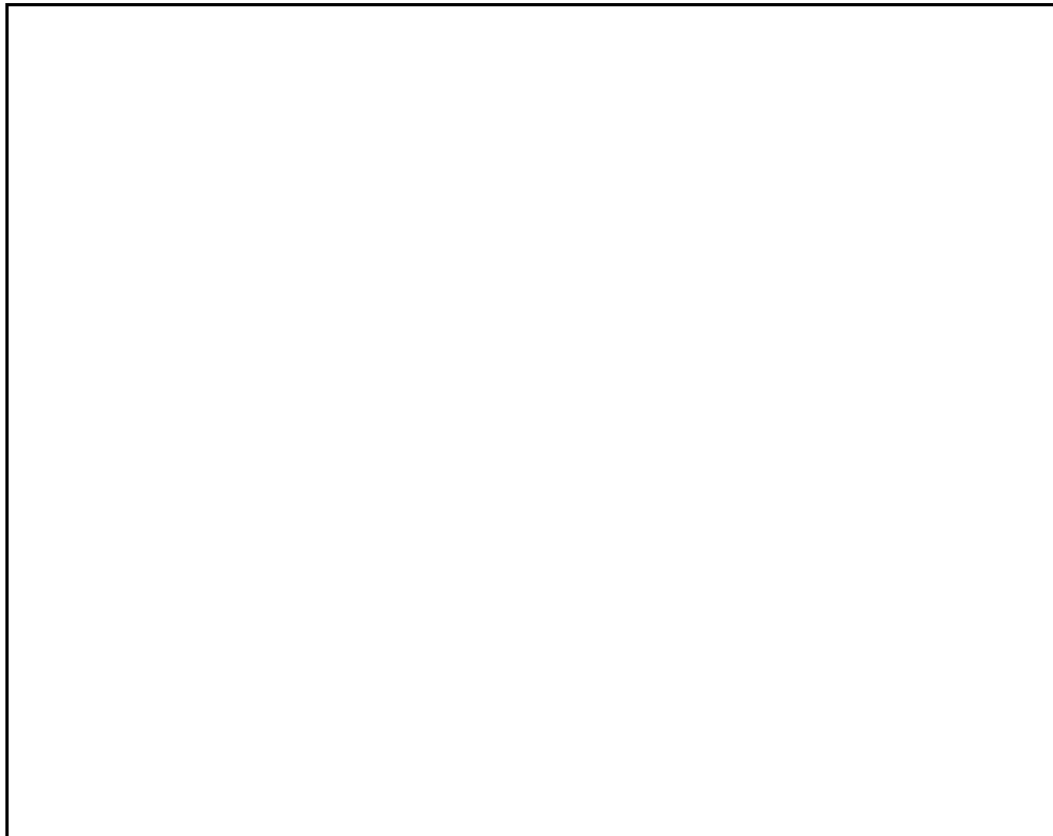
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**OFFICE OF CURRENT INTELLIGENCE
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State Department review completed

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1. ZHUKOV'S STATUS

Khrushchev's remarks to Western news-
men at a Turkish embassy reception on
29 October seem to indicate that central
committee discussion of the Zhukov case
is ended or nearing conclusion. Khrush-
chev said that no further word could be
expected during the evening, but an offi-
cial announcement, probably in the form
of a central committee resolution, is
likely soon. It now seems clear that
Zhukov has been deprived of any signif-
icant role in the highest party councils.

Soviet officials stationed abroad have ap-
parently received little or no information
on what has been transpiring in Moscow.

The American embassy in Moscow reports
what appears to be concerted and mounting stress in the Soviet
press on the theme of party supremacy within the armed forces.
There have also been references to "immodesty" and insufficient

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respect for party guidance which are evidently directed at Zhukov. These articles probably anticipate the sense of the definitive party statement.

While these appear to be the issues on which Zhukov was called to account before the central committee, more complex questions of political friction probably were also involved. Evidence does not yet indicate whether Zhukov will be dropped from the party presidium or what new assignment will be given him. Khrushchev stated that he would be given a job "commensurate with his experience and qualifications." One Soviet official is reported to have stated that Zhukov does not desire a foreign post. [REDACTED]

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3. TITO WILL NOT ATTEND 40TH ANNIVERSARY CELEBRATIONS

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Tito apparently has decided not to go to Moscow for the 40th anniversary celebration of the Soviet revolution on 7 November. This is indicated in the Yugoslav government's announcement on 29 October that President Tito is suffering from a "sudden attack of lumbago" which will "prevent his travel abroad for the next few months." His absence will prevent any Communist summit meeting even though Mao Tse-tung and Gomulka have announced their intention to attend.

Tito's decision not to attend probably reflects his concern over the unsettled situation in Moscow and his desire not to be associated with it until he has some clearer idea of its outcome. Tito may have been influenced in this decision by the Yugoslav ambassador in Moscow, with whom Khrushchev reportedly spent more than half his time in earnest conversation at an Iranian embassy reception on 26 October, immediately following the announcement of Marshal Zhukov's removal from office.

Tito may also hope by this decision to allay Western suspicions that Yugoslavia is steadily moving toward the USSR.

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4. SINO-JAPANESE TRADE DISCUSSIONS SUSPENDED

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The breakdown in Sino-Japanese trade talks in Peiping is a result of political differences over the size and nature of the trade missions to be exchanged and the question of the Japanese government's sanction for a new trade agreement. The Japanese delegation is returning to Tokyo for the five-day special session of the Diet beginning 1 November, which the Socialists have forced in order to harass the Kishi government. During this session, the Socialists, some conservatives, and trade and business interests probably will exert pressure for concessions to Peiping's demands.

The negotiations which began in mid-September between Chinese Communist officials and representatives of private Japanese trade organizations have failed to agree on any significant point. Three previous Sino-Japanese trade agreements have been private in nature, but Peiping, in an obvious attempt to pave the way for official relations with Tokyo, has reportedly made a new demand that the Japanese government enforce any new trade agreement.

The Japanese have proposed an exchange of permanent trade missions limited to ten members each, only five of whom would be extended quasi-diplomatic privileges such as exemption from fingerprinting and freedom of travel. Peiping has insisted on a staff of 30 members in Japan plus dependents, all of whom would enjoy such privileges.

While some commercial circles are becoming less sanguine about the China trade potential, they

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are reluctant to lose the mainland market to Western nations-- as Peiping claims will happen unless its terms are met--or to lose 1,000,000 tons of iron ore reportedly offered by Peiping for 1958. Lack of Sino-Japanese trade accord, however, is unlikely to affect the present volume of trade.

The first private Sino-Japanese trade agreement was signed in 1952. Total trade between the countries increased from \$15,500,000 in 1952 to \$151,000,000 in 1956. The balance regularly has favored Communist China.

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6. **INDONESIANS DEMONSTRATE FOR "RETURN" OF
NETHERLANDS NEW GUINEA**

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The anti-Dutch demonstrations in Djakarta, touched off by a mass rally on 28 October to demand the "return" of Netherlands New Guinea, were organized by the Indonesian government for the purpose of stimulating popular support prior to the UN debate on New Guinea as well as to divert attention from the serious problem of national disunity. The rally was addressed by government officials, including Foreign Minister Subandrio and President Sukarno, and was followed by a procession of youth groups, police units, and all branches of the armed forces.

All speakers except Sukarno delivered highly inflammatory speeches on the New Guinea issue, demanding resort to military conquest if necessary and calling on the crowd to make "the supreme sacrifice." President Sukarno did not mention New Guinea but stressed instead the need for "national unity." His object apparently was to direct the aroused emotions against those elements opposed to his concept of "guided democracy" as well as against the Dutch.

Despite official assurances that the situation will not get out of hand, there is a continuing danger that the public may take the government's campaign literally and that anti-Dutch and anti-Western disturbances on Java will result. The Communists, who back the current government program, probably were responsible for the burning in effigy of a Netherlander in front of the Netherlands ambassador's residence and for the defacement of Dutch property in the city.

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**7. NEW PAKISTANI GOVERNMENT UNLIKELY TO
CHECK ECONOMIC DECLINE**

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The new government in Pakistan shows little sign that it will take the action which will be needed to check deterioration in Pakistan's economic situation. While the former government under Suhrawardy gave some indication of successfully attacking the country's economic problems, the new leadership of Prime Minister Chundrigar seems likely to allow matters to drift to the point where they will probably be beyond control.

The present coalition represents the big landowners of West Pakistan who are not likely to take decisive action on such essential programs as land reform and rural development, since they feel that this would undermine their control of political and economic power.

The result probably will be to accentuate Pakistan's most pressing economic problems--lagging food production, which has caused the government to rely increasingly on American surplus food stocks, growing inflation, a serious foreign exchange squeeze, and slowdowns in industrial production. Pakistan's financial dependence on the United States can then be expected to increase.

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8. GAILLARD CONCEDED LITTLE CHANCE FOR
FRENCH PREMIERSHIP

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Radical Socialist Felix Gaillard, finance minister in the Bourges-Maunoury cabinet who is now attempting to form a government, is given little chance of resolving

the 29-day-old government crisis. Right-wing hostility to Gaillard's austerity program was instrumental in Bourges-Maunoury's overthrow, and even if Gaillard now succeeds in placating the conservatives on his economic program, he may face Socialist opposition. Socialist leader Mollet has hinted that his party may now oppose any government participated in or even supported by the right-wing Independents.

Chances for a candidate from the Popular Republicans are increasing, but they would probably be reluctant to take on the job if the Socialists stay aloof. Other center candidates such as Radical Socialist Rene Billeres and Resistance Union leader Rene Pleven have been mentioned, and the deputies may accept a dark horse as a temporary solution.

Meanwhile, there is renewed speculation of an "outside solution," such as a call to General de Gaulle, who had reportedly been in contact with Coty earlier in the crisis.

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